

# NJ DEP GREEN ACRES PROGRAM

## SCOPE OF WORK FOR BLUE ACRES APPRAISAL SERVICES

### A. Introduction

In an ongoing effort to alleviate threats to life and property in repeatedly or potentially flood damaged areas, the Blue Acres division of the New Jersey Department of Environmental Protection (“NJ-DEP”)/Green Acres Program is working towards the potential acquisition of properties (including structures) from *willing* sellers. These properties have been identified as properties damaged by, or those that may be prone to incurring damage caused by storms or storm-related flooding, or property that may buffer or protect other lands from such damage. In order to accomplish and fulfill the goals of Blue Acres, appraisals prepared for this program are required to be prepared in accordance with the appraisal guidelines that follow. Any omission of required documentation may result in either the *rejection* of the report, or the return of the report to the appraiser for corrections and/or revisions.

Prior to performing the appraisal(s), a meeting with the contracted appraiser(s) and a review appraiser from Blue Acres is required for all state commissioned projects, unless there is a written waiver from the appraisal section of the Blue Acres Program<sup>1</sup>.

### B. Appraiser Qualifications

Appraisers hired by the State shall be State Certified General Real Estate Appraisers, currently active and in good standing in the State of New Jersey, and currently on the Green Acres 2014 procured, approved appraiser list (as per RFP 14-X-23294). Appraisers must have demonstrated competency in Uniform Standards of Professional Appraisal Practice (“USPAP”) compliance. A copy of the appraiser(s) current, active license must be on file with Blue/Green Acres.

### C. Notification of Parties

It shall be the appraiser’s responsibility to notify the property owner and/or other designated representatives that an appraisal for the State of New Jersey Blue Acres Program is to be prepared. Due to time constraints, a phone call to the property owner to set up the site inspection is acceptable. **However**, a certified letter on company letterhead is to be sent to the property owner confirming the notification and subsequent inspection. Copies of said notice must be included in the body of the appraisal. If the appraiser is unable to contact the owner, he/she must notify the project manager/case manager prior to the site inspection.

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<sup>1</sup> On-site meetings between state-commissioned appraiser(s) and Blue Acres appraisal staff will typically be in the form of a pre-project kick-off meeting. For homeowner-commissioned appraisers retained in the appeal process, this meeting between the appraiser and Blue Acres appraisal staff is not required; however, homeowner-commissioned appraisers must be state certified residential appraisers, and must follow the Blue Acres Scope of Work.

The complete inspection of the subject (both interior and exterior) must be performed by an individual appraiser from the list of Green Acres approved appraisers (as noted above). The Blue Acres “Homeowner Outreach Form” must be completed during this inspection, and must be signed by the inspecting appraiser **and** the property owner if present during the inspection or, at a minimum, by the appraiser if an inspection is conducted without the property owner present. This signed form must be included in the addendum to the report.

#### **D. Purpose of the Appraisal Report**

The purpose of the appraisal is to provide an opinion of market value of the proposed acquisition target as identified in the engagement letter. The date of value will either be the day before the occurrence of a natural disaster, or if the property has sold subsequent to the storm, a current date of value, as instructed by Blue Acres.

The appraisal must be completed in compliance with USPAP, and adhere to any additional appraisal instructions as detailed in the engagement letter.

The market value definition that will be stated and used in developing and reporting this assignment is as follows:

*Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in the definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:*

- 1. buyer and seller are typically motivated;*
- 2. both parties are well informed or well advised and acting in what they consider their own best interests;*
- 3. a reasonable time is allowed for exposure to the open market;*
- 4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- 5. the price represents the normal considerations for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale.*

**[ No other definition of market value is acceptable ]**

## E. Report

The appraiser must prepare an Appraisal Report providing an opinion of value as stated in these requirements, based on the market value as defined in the engagement letter, and in Section “D” above. The appraisal report will utilize a general purpose form, which must consist of either:

ACI: GPAR (General Purpose Appraisal Report)

WinTotal: GP (General Purpose)

ClickForms: NL-Residential

In some cases, as directed by Blue Acres, a Narrative Report may be required. If the appraiser determines that an alternate form or format would be more suitable for the assignment, they **must** first seek written approval from the appraisal section of Blue Acres.

The appraisal report must contain:

1. Cover Page/Title Page

- a. Whenever possible (based on limitations of the forms and software), include the following information on the cover page:
  - i. Color Photograph of the subject property.
  - ii. Blue Acres Owner or Offer Number (*the Owner Number is generally found on Notice of Engagement*).
  - iii. Name of property owner (or owners)
  - iv. Identification of Property by the Street Address, Municipality, County, State, Zip Code and Tax Block and Lot
  - v. Total Square Feet of the Subject Improvements
  - vi. Effective Date of Valuation (*which may vary if federal funding is to be applied to acquisition*).
  - vii. Report Date
  - viii. Identification of the Appraiser (*Name, Address, Phone/Fax, and Email*)

2. Table of Contents

Must include a reference to require sections to specifically identified pages, each consecutively numbered. All pages of the report should be sequentially numbered.

3. Letter of Transmittal

A Letter of Transmittal shall be included, and such letter shall include the report date, date of value, and the market value estimate.

4. Statement of Assumptions and Limiting Conditions

Please note - there cannot be any limitation to the appraiser's liability other than what is provided for by law. For example, the liability cannot be limited to the amount of the professional fee.

5. Certification of Appraiser

The report must contain a USPAP-compliant certification, signed and dated by the contract appraiser and any other appraisers signing the report.

6. Summary of Salient Facts

7. Scope of Work

- a) Scope of work description custom to each assignment shall be included.
- b) Intended Use will be for Blue Acres consideration for potential acquisition negotiations relating to the subject property.
- c) Intended Users will be “Blue Acres” and “any other funding partner,” along with any other intended users as instructed/defined (i.e. governmental agencies, non-profit agencies, etc.)
- d) List Client as Blue Acres and other involved partners as clearly instructed
- e) Hypothetical Conditions and Extraordinary Assumptions:

General Comment

Hypothetical Conditions and Extraordinary Assumptions are **not** permitted without specific written instructions from the Blue Acres Program Appraisal Section.

Certain FEMA grant programs may allow for valuation that are beyond the traditional Blue Acres valuation purview. These should be clearly defined as part of the scope of work instructions and agreed to in writing in advance to avoid lengthy procedural debates and numerous revision requests.

Effective Date

The effective date of the appraisal, which is generally the pre-event or pre-storm date, will be agreed to in advance in writing only by the Blue Acres Program.

Current market value may be used if ownership of the property changed since the last flood or storm event.

Condition

The property’s condition should be as it was as of the Effective Date.

The appraiser should use their best efforts to ascertain the condition on the effective date including, but not limited to, the following:

- (a) interviewing the owner or occupant;
- (b) securing any photographs taken on or before the Effective Date (should any such photographs be available, they should be included in the appraisal report)
- (c) the municipal tax assessor's property record card;
- (d) documentation from the municipal construction/building department; and
- (e) other sources, including online sites/pictures (such as historic aerials).

9. Market Value

The definition of Market Value, as presented previously, must be included in the report.

10. Inspection Date

- a) The report must include a statement regarding invitation made to property owner to accompany the appraiser on the site inspection.
- b) Listing of the people who accompanied the appraiser on the site inspection.
- c) An interior inspection is required. If one is not possible, please contact the Client (Blue Acres contact person) for assistance.
- d) The 'Homeowner Outreach Form' must be completed with the homeowner, or solely by the appraiser only if the appraiser is not accompanied on the inspection.

**NOTE:** If any portion of the subject property improvements are uninhabitable or unsafe, please note that in the report as the reason that the subject interior was not inspected.

11. Factual Data

- a) Legal Description
- b) Area, city, neighborhood data
- c) Property data (site; use history, including 3-year record of all sales of the subject, and any offers to buy or sell; rental history, with 3-year rental history; assessed value and tax load; zoning and other land use regulations; flood map; subject property map or plat.

12. Approaches to Value

Property rights to be appraised will be identified in the Letter of Engagement. Any exclusions of approaches to value, as stated in USPAP, must be strongly supported with solid reasoning. A Highest and Best Use conclusion must be performed, and must be supported

*Sales Comparison Approach*

- i. The appraisal report shall contain a direct comparison of pertinent comparable sales to the property being appraised and a statement setting forth the analysis and reasoning supporting each item of adjustment.
- ii. At least **FIVE** comparable sales, if applicable, shall be recited in the report. In some cases, it may prove difficult to find five comparable sales in the immediate neighborhood of the subject. Therefore, the appraiser is encouraged to go outside the municipality where the subject is located if five comparable sales are not available, especially to those areas that experience similar flooding challenges.
- iii. If five comparable sales are not available, an explanation as to why must be provided. Further, the appraiser must state the sources used to identify comparable sales and the criteria of the search.
- iv. Pertinent comparable sales data shall include flood zone, basic information about the home, and information source(s). All comparable sales shall be personally inspected in the field by the appraiser.
- v. Market Adjustments: Please provide market data to substantiate any change in market conditions.
- vi. Reconciliation: The appraiser must discuss in some detail the selected weighting of the adjusted comparable sales and provide for reasoning behind the same.

*Income Approach*

- i. Where the Income Approach is used, the appraisal report shall be documented to support the income, operating expenses, interest rate, remaining economic life and capitalization rate.
- ii. Economic rent will be supported by comparable leases, including an adjustment grid to establish market rent.
- iii. Comparable lease location map and photographs must be included
- iv. When it is determined that the economic rental income is different from the existing or contract income, the increase or decrease shall be explained and supported by market information.
- v. When estimating the value of a leased fee estate or a leasehold estate, consider and analyze the effect on value, if any, of the terms and conditions of the lease.

- vi. Data sources for the operating expenses, interest rate, remaining economic life, capitalization rate, and any other data should be cited in the report; the publication date should also be included.

*Cost Approach*

Given the nature of the residential properties and the general lack of comparable land sales, generally the Cost Approach will not be required. The development of the Cost Approach is at the appraiser's discretion.

13. Reconciliation

Where two or more of the approaches to value are used in the report, the appraisal shall show the correlation of the separate indications of value derived by each approach as well as a reasonable explanation for the final conclusion of value.

14. Photographs

All appraisals shall include identified color photographs of the subject property including all principal above ground structures with exterior and interior photographs or unusual features affecting the value of the property.

Further, the appraiser will make an effort to secure photographs from the owner or other sources of the property 'pre-event' to document the subject's condition as of the effective date.

Color photographs, taken at street level whenever possible, of all of the comparable sales and leases analyzed are required.

15. Addenda

- a) Maps: The appraisal report shall include the following maps:
  - i. Location Map – should show location of subject in relation to general area.
  - ii. Comparability Map – indicates subject property and location of comparable sales and leases.
  - iii Tax Map and Survey (as available)
  - iv. Flood Map
  - v. Zoning Map
  - vi. Wetlands, topographical, and soils maps shall be included as appropriate.
- b) Photographs: Identified color photographs and the date the photograph was taken must be included for the subject and all comparable sales or leases. For comparable sales or leases, MLS photos may be used in addition to the inspection photographs to demonstrate the condition of the comparable property at the time of sale. However, ***inspection photographs must also be provided.***

-Other Addenda: Other items that must be included in the addenda:

- a. Certified Letter to property owner(s) inviting them to the inspection of the property.
- b. Homeowner Outreach Form (signed by both appraiser and property owner/representative)<sup>2</sup>
- c. Deed, if sold within the last five years
- d. Plot plan and other similar pertinent exhibits
- e. Survey, as available
- f. Floor plan, as completed or verified by the appraiser
- g. Pertinent section(s) of the subject zoning ordinance
- h. Complete copy of the Letter of Engagement and any other written instructions. This may be provided as a separate document, which is *separate and apart* from the Appraisal Report.

#### **F. Work Product Submission**

The appraiser shall provide FOUR hard copies and ONE media/electronic copy (in PDF format) of the appraisal report for state acquisitions. For local assignments (or those through a non-profit), only TWO hard copies and ONE media/electronic copy (in PDF format) of the appraisal report are required.

#### **G. Special Projects/Additional Work**

Should additional work, special projects, hearings, meetings or other activities be required which are beyond the scope of the appraisal assignment, the appraiser will supply a written cost estimate and schedule to the project manager. The appraiser should receive written authorization to proceed from the project manager before commencing such projects.

#### **H. Final Notes**

Blue Acres will provide to the appraiser, as accessible and available:

1. Engagement Letter identifying the subject property and scope of work
2. Copy of the subject property Tax Map indicating subject property and boundaries
3. Recorded landowner's name, address, and telephone number
4. Specific details of any special circumstances, instructions, additions to the scope, or reductions in scope

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<sup>2</sup> In the case where a property owner/representative is not available to accompany the appraiser on the inspection, the appraiser must still complete the Homeowner Outreach Form, sign it, and include in the report.



**BLUE ACRES HOMEOWNER OUTREACH**

**APPRAISAL MEETING FORM**

Date: \_\_\_\_\_ Time In: \_\_\_\_\_ Time out: \_\_\_\_\_

Property Address: \_\_\_\_\_

Property Owner: \_\_\_\_\_ Property Contact Person: \_\_\_\_\_

Property Access:      Permitted ☐      Denied ☐      Not Accessible ☐

Inspection:           Interior ☐      Exterior ☐      Outbuilding(s) ☐

Underground Tanks:   None ☐      Yes: Active ☐      Inactive ☐      Type: \_\_\_\_\_

Prior Appraisal(s):    Provided ☐      None Avail ☐      Will be provided N/L/T: \_\_\_\_\_

Prior 'Sandy' Improvements made: \_\_\_\_\_

Are there available:    Documents ☐      Receipts ☐      Permits ☐

Pre-'Sandy' photos (interior &/or exterior):    Provided ☐      None Avail ☐

Will be provided N/L/T: \_\_\_\_\_

Were there post 'Sandy' repairs made? \_\_\_\_\_

(If so, your case worker will require receipts, documentation, and permits as available)

Are there specific properties/transactions the property owner would like to make the appraiser aware of?

Pre-'Sandy' neighborhood sales: \_\_\_\_\_

Pre-'Sandy' neighborhood listings/contracts: \_\_\_\_\_

Additional Comments:

Has the above criteria been satisfactorily addressed:    Yes ☐    No ☐

Have we answered your questions today:                      Yes ☐    No ☐

Appraiser: \_\_\_\_\_ Property owner/contact: \_\_\_\_\_

*\*N/L/T = 'No Later Than'*